

## **Editorial: Vicious tax circle adds to gas price woes**

*Excise tax raised when consumption falls, so state's revenue remains steady*

### **ORANGE COUNTY REGISTER**

February was the cruelest month for Southern California motorists, with the region's biggest-ever one month run up in gasoline prices.

Jeffrey Spring, spokesman for the Automobile Club of Southern California, confirmed that last month's spike in pump prices – by as much as 59 cents – was even bigger than the hits to the pocketbook the driving public suffered in October or in February of last year.

So how did the state Board of Equalization respond last week to the pain and suffering the driving public has experienced of late at the pump? By voting to increase the state excise tax on gasoline from 36 cents to 39.5 cents per gallon as of July 1.

The extra 3.5 cents per gallon – courtesy of board members John Chiang (the state controller), Jerome Horton and Betty Yee, who outvoted their colleagues George Runner and Michelle Steele – amounts to a nearly 10 percent increase in the excise tax. That's about five times the region's current rate of inflation.

All told, California motorists July 1 will pay an average 70.1 cents per gallon in gasoline taxes (include federal, state and local levies). That will give California the dubious distinction of supplanting New York as the state with the nation's highest combined gasoline taxes, according to the American Petroleum Institute.

Wait, there's more. California has long sold the most expensive gasoline on the U.S. mainland. But with price spikes occurring in the Golden State with increasing frequency – three in the past year – combined with the 10 percent increase in the state excise tax, 2013 could very well be the year that California pump prices surpass even those in Hawaii.

Neither Chiang, Horton nor Yee find that prospect particularly troubling. They maintain that they are duty-bound to raise gas taxes under a 2010 state law requiring that the rate be adjusted so that revenue derived from the excise tax remains constant.

That law all but assures that California motorists will pay ever-increasing gasoline taxes from now to eternity. That's because, every time there is a price spike, like during the past month, motorists respond by driving less to save money. That means lower gas tax revenue flowing to the state treasury, which, in turn, means the Board of Equalization will ratchet up the excise tax to compensate.

There is only one way to break the vicious cycle and relieve California drivers of the nation's most heavily taxed and, soon perhaps, most expensive gasoline. That is to increase the supply of gasoline to meet demand.

Then there will be no more one-month, 59-cents price spikes, no precipitous decline in gasoline consumption, no fall-off in tax revenue and no legitimate need for the Board of Equalization to raise the tax to make up the difference.

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